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SUBJECT: MOZAMBIQUE: FEBRUARY ECONOMIC DIGEST

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¶1. This is a brief review of significant economic developments in Mozambique during February 2006. We provide this as a supplement to our other reporting. The items discussed are:

- Business Start-up Time Drops
- Most Foreign Currency Bids/Invoices Banned
- Bird Flu: Further Bans on Chicken Imports
- French Company invests in Mozambican Sugar

Business Start-up Time Drops

¶2. In February the World Bank presented its "Doing Business in 2006" report. In the report the World Bank writes that, based on 2005 data, it takes 139 days, on average, to start up a business in Mozambique. At the report launching, however, a World Bank official added that recent data showed the start-up period had shortened to 111 days -- a figure which will appear in the 2007 report. While 111 days still represents a significant delay, the trend is positive and a marked improvement from the World Bank's "Doing Business in 2005" report on Mozambique, where it reported a start-up time of 153 days. In conjunction with the release of the new report, President Guebuza reaffirmed Mozambique's commitment to improving its business environment, stating "(w)e want businesses to be able to be started in the shortest possible time and, why not, in a single day. We want licenses to be issued in a record time." President Guebuza also acknowledged the need for businesses and entrepreneurs to have better access to credit.

Procurement: Most Foreign Currency Bids/Invoices Banned
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¶3. Under the new procurement regulation, contractors will no longer be allowed to put in bids or issue invoices in foreign currency. The coordinator of the government's Administration and Financial Reform Technical Unit (UTRAF), Carlos Jessen, stated that this step is part of a range of measures to modernize the government's financial administration system, adding that the new measures are aimed at halting capital flight and controlling inflation. (Note: Jessen also added the qualification that in "exceptional instances envisioned in tender documents" some invoices could be in foreign

currency. End note.) For more on Mozambique's new procurement regulation, please see reftel.

Bird Flu: Further Bans on Chicken Imports

¶4. In response to the recent reports of Avian Influenza in poultry in Nigeria, Egypt and Niger, as well as its spread across Europe, the government of Mozambique announced at the end of February that it was banning the import of all chicken products from any country in which the H5N1 Avian Influenza virus had been reported. This measure is part of Mozambique's effort to prevent entry of the virus into the country. In addition to banning imports, Mozambique's plan includes inspection of ports and airports. So far the government has only USD 14 million set aside to cover the cost of containment, including poultry slaughter and reimbursement to farmers. The Mozambican poultry industry is worth an estimated USD 75 million.

French Company invests in Mozambican Sugar

¶5. The French sugar company Tereos Group has decided to invest USD 30 million in the Mozambican sugar industry. Tereos Group, Europe's second largest sugar company, has purchased 50 percent of the shares in Sena Holdings Limited, which controls the Sena Company -- owner and operator of Mozambique's largest and most modern sugar refinery. Sena Holdings was previously owned entirely by a Mauritian consortium.
La Lime